

# Mendota Project Class VI Well Permit

## EPA Financial Responsibility Discussion

Dec 15, 2020 Agenda 1 – 2 p.m. PST

Agenda Item		Lead	Estimated Time
1	Introductions	All	5 min
2	Refresh of project, background and meeting purpose	Rebecca	5 min
3	Proposed Mendota FR concept	Kevin & Rebecca	15 min
4	Discussion of concept and Q&A	All	30 min
5	Path forward, next steps and action items summary	Kevin & Rebecca	5 min

Schlumberger-Private



# Mendota – Draft Financial Responsibility Summary Profile (confidential)

Amounts are preliminary; 2023+ \$\$ amounts subject to additional ongoing site-specific information gathering

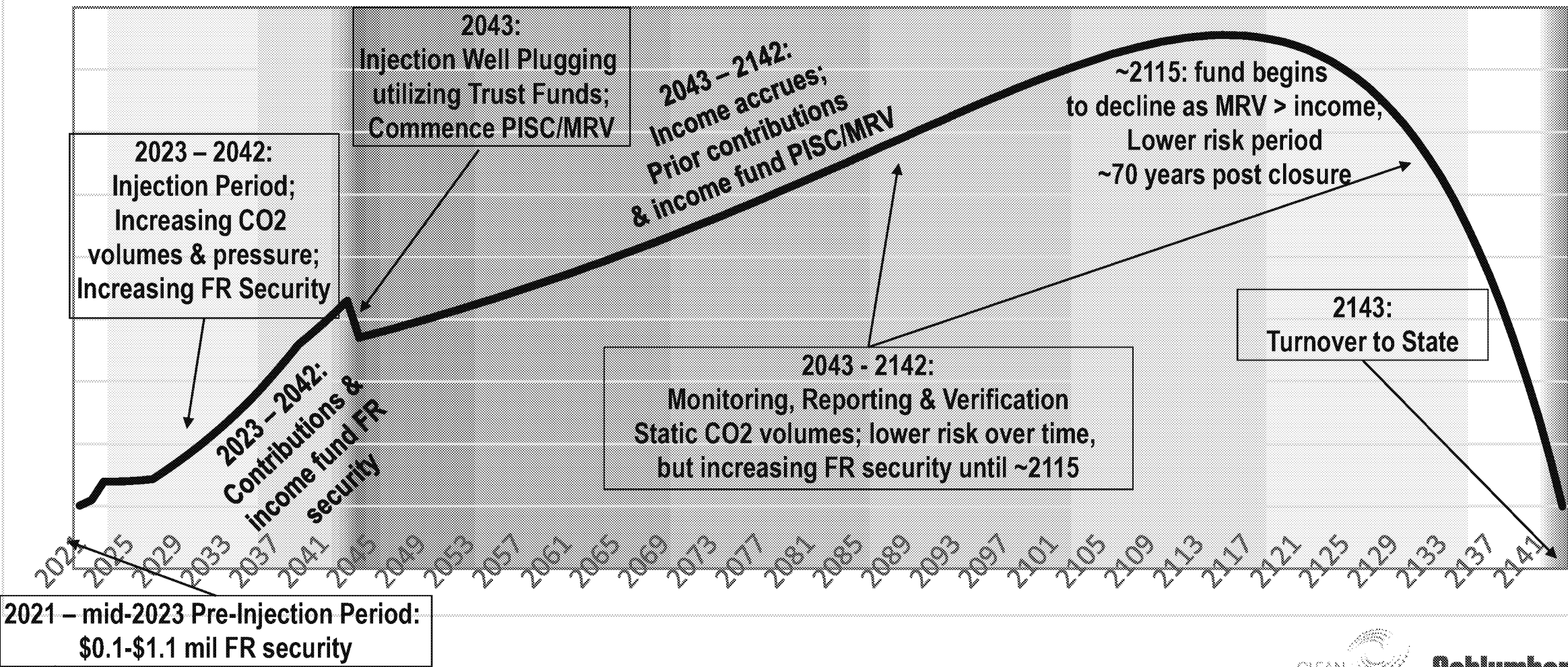
Financial Responsibility Required for		CES-SLB FR Estimates (\$2020)	Proposed Financial Instrument	Anticipated Need Date	Anticipated End Date	Comments
1	Drilling of Characterization and UGDW Monitoring Well(s)	\$200,000	Surety Bond	1H 2021	2H 2022	Security to stay in place but may be replaced by other EPA qualified FR security instruments over time
2	CO2 Monitoring & Injection Well Construction	\$1,117,000 total (\$149+\$768+\$200)	Surety Bond, L/C or Corporate Guaranty	2H 2022	2H 2023	
Activities above are prior to any injection of CO2 into the sequestration area						
For the activities below, we are proposing the Project put [\$X] mil security in place prior to injecting any CO2 into the subsurface and adding [\$Y]/tonne of CO2 into a trust account (estimated to equal [\$Y] mil/year)						
3	Corrective Action	\$284,000	[\$X] mil initially (\$1.117 mill + ) increasing [\$Y] mil per year until it reaches a total [\$Z] mil. Initial package to be arranged in conjunction with Financial Closing; Surety Bond, L/C Corporate Guaranty, Insurance, Cash Funded Trust or combination thereof	[\$X] mil total 2H 2023 increasing to [\$A] mil+ by 2043 and to over [\$AA] mil in ~2115	Initially a Letter of Credit (L/C), Insurance, or Surety Bond as part of a Financial Closing package, with phased cash funding of [\$Y] mil/year / \$x per tonne of CO2 injected into a Trust over the 20-year operational life of the Project	Add'l detail to be provided As the Cash Trust increases it will replace other security until total FR security reaches [\$A] mil in 2043
4	Injection Well Plugging	\$149,000				
5	Site Closure & PISC	[\$768,000 + \$X mil]				Post 2043 / post closure we are proposing the Cash Trust accrue earnings and pay for Site Closure, PISC & MRV or that it may be defeased
6	Emergency Response & Remediation	[\$Z mil]				
Total		[\$A] mil				Cash Trust is forecast to increase to >[2x \$A] mil in ~2115 before being fully utilized in 2143



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## Total Available Collateral Supporting Financial Responsibility by Year

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### Other Considerations

- All Mendota FR security instruments will meet EPA requirements
  - Actively reviewing specifics of each with creditworthy providers
- Seeking EPA consideration of Pollution Legal Liability (PLL) insurance-type coverage and limits for Mendota Class VI well purposes
- Mendota is seeking the right to substitute FR security instruments over time to ensure:
  - Full project lifecycle funding
  - Security is sustainable and requirements can be met over many decades
  - Ready access to security in the unlikely event it is needed
  - Environmental and commercial success
- Expecting additional site-specific PISC and ERR information 1Q 2021

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### Path forward, next steps and action items summary

- Seeking 2021 EPA feedback on Mendota concept in January 2021 on:
  - 2021 – 2022 amounts and types of FR security
    - Necessary to advance ongoing project development
  - Permit to Construct issuance based on Mendota meeting pre-agreed milestone-based timing and amounts of FR security
    - Mendota to meet each FR security posting “condition precedent” by each project milestone or permit is not valid and project may not advance
  - EPA approval of PLL insurance (form and amounts)
  - EPA approval of a phased pay-in concept into a Mendota trust fund
  - EPA approval of the project’s ability to substitute forms of FR security over time
    - So long as the new FR security meets EPA requirements for form and amount
  - How best to coordinate EPA with CARB, CalGEM and Water Control Boards?
- Expecting to share additional site-specific PISC and ERR information with EPA in 1Q 2021
  - Follow up meeting and additional documentation late 1Q 2021